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Russian Federation

Solid Wood Products

Solid Wood Situation and Outlook

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Report Highlights:
Russia's domestic wood processing sector is expected to grow by more than eight percent annually in 2008 and 2009. This increase can be attributed to the current boom in housing construction and the steady increase in the production of panel products. Production increases are supported by continued demand for Russian exports from China, Japan, and countries of the Former Soviet Union, such as Turkmenistan and Latvia.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Moscow [RS1]
[RS]

Table of Contents

Solid Wood Situation/Outlook

Softwood logs and softwood lumber represent the largest category of solid wood production and trade in Russia. Production of these products increased by 10 and 12 percent in 2008 and 2009, respectively. This increase in production is supported by continued demand for wood products from China, Japan, and countries of the former Soviet Union, such as Turkmenistan and Latvia. In addition, domestic demand for logs and lumber has expanded due to recent government incentives to stimulate the domestic processing industry, such as the attraction of foreign investments and the increase in export tariffs for unprocessed logs. Increases in the real disposable incomes of Russian families also contribute to domestic demand for wood products.

The domestic wood processing sector will likely grow by more than eight percent annually in 2008 and 2009. This increase is attributed mainly to a boom in housing construction and a steady increase in the production of panel products, which is growing at approximately 14 percent annually. Increases in housing construction can be partially attributed to the government housing national priority project, which aims to provide affordable housing for young families, primarily in rural areas. This sector is also attracting foreign investment, largely from large and vertically integrated enterprises. Higher returns on investments, along with a new export tariff policy, will likely support high levels of growth in the wood processing sector compared to other categories of the forest sector.

According to trade sources, the current value of the wood processing industry in Russia is estimated at $2.5 billion, of which lumber has a market share of 50 percent, veneer 40 percent, and panel products 10 percent. According to Discovery Research Group, the Russian domestic market for veneer and panel products will more than likely continue to expand due to the boom in construction, repair and decorative industries. It is estimated that the annual domestic demand for lumber in 2010 will be 2-2.2 times higher when compared to 2001; for veneer 1.5-1.7 times, and for panel products 1.6-2.0 times.

Several constraints continue to impede increased production of solid wood products in Russia, such as outdated machinery, lack of accessible roads to forest resources, higher energy and oil prices, and the transition period before the new Forestry Code is fully enacted. Imports of wood products to Russia will continue to grow in the near future, due to the lack of processing facilities to meet Russia's growing demand for high quality paper and carton products, such as coated and laminated paper, sanitary and hygiene products and packaging materials.

According to Rosstat, Russian exports of wood and products (HTS Chapter 44) during Jan-Sep 2007 increased by 36 percent in value compared with the same period in 2006 and accounted for $6.7 billion and $4.9, respectively. Exports of rough non-treated wood (HTS 4403) increased by 28 percent during Jan-Sep 2007 versus the same period in 2006 and accounted for $3.2 million.

Statistical Table: Production of Industrial Wood in Russia

Table 1. Russia: Production of Industrial Wood and Major Wood Products, 1999-2007

Year	Industrial wood, mln. m^3	Lumber, mln.m^3	Particle board, 1,000 m^3	Paper, 1,000 MT
1999	75.8	19.1	1,987	2,968
2000	80.6	20.1	2,335	3,326
2001	83.4	19.0	2,545	3,442
2002	84.2	18.6	2,744	3,552
2003	90.3	20.2	3,204	3,682
2004	92.2	21.2	3,638	3,903
2005	98.3	22.0	3,930	4,001
2006	98.2	22.1	4,717	4,038
2007	101	23.2	5,261	4,063
Source: Federal Statistics Service (Rosstat)				